



GENERAL ASSEMBLY

COMMONWEALTH OF KENTUCKY

2014 REGULAR SESSION

HOUSE BILL NO. 316

TUESDAY, FEBRUARY 18, 2014

The following bill was reported to the Senate from the House and ordered to be printed.

RECEIVED AND FILED
DATE April 8, 2014
3:25pm
ALISON LUNDERGAN GRIMES
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
BY R. Allen

1 AN ACT relating to insurance for tangible personal property to secure a loan by a
2 consumer loan company.

3 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

4 ➔Section 1. KRS 286.4-560 is amended to read as follows:

5 ~~[Notwithstanding the provisions of this or any other law:]~~

6 (1) A licensee may request a borrower to insure tangible personal property, except
7 household goods, offered as security for a loan exceeding three hundred dollars
8 (\$300) under this subtitle against any substantial risk of loss, damage, or destruction
9 for an amount not to exceed the actual value of such property or the approximate
10 amount of the loan, whichever is greater, and for a term and upon conditions which
11 are reasonable and appropriate considering the nature of the property and the
12 maturity and other circumstances of the loan; provided such insurance is sold by a
13 licensed agent, broker, or solicitor. *The licensee may also request and secure credit*
14 *property insurance on the tangible personal property, provided that no part of the*
15 *cost thereof shall be charged to the borrower unless the insurer agrees that it will*
16 *not exercise its right to subrogation against the borrower under the licensee's*
17 *policy.*

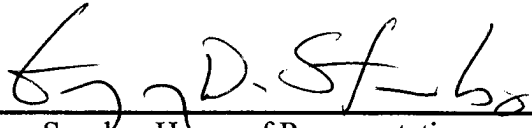
18 (2) A licensee may also request, provide, obtain, or take as security for any loan
19 obligation insurance on the life, unemployment, health, or disability, or all, of the
20 borrower, or two (2) of them if there are two (2) or more. Life insurance shall be in
21 the approximate amount of the indebtedness scheduled to be due the licensee under
22 the loan contract. Not more than one (1) policy of life insurance may be written in
23 connection with any loan transaction under this subtitle. The aggregate amount of
24 periodic benefits payable by any unemployment, health, or disability insurance
25 provided, obtained, or requested by the licensee in the event of unemployment or
26 disability, as defined in the policy, shall not exceed the aggregate of the scheduled
27 installments and the waiting period provided in such policy must be fourteen (14)

1 days or longer. The premium rate for insurance provided under this section shall be
2 reasonable in relation to the benefits provided and shall be filed with the
3 commissioner of insurance. The commissioner of insurance shall, within thirty (30)
4 days after the filing of any premium rate, disapprove such premium rate if it is
5 excessive in relation to the benefits. In determining whether to approve or
6 disapprove any premium rate, the commissioner of insurance shall give due
7 consideration to the unemployment, mortality, and morbidity costs with respect to
8 such insurance on borrowers under this subtitle or similar acts in other states, a
9 reasonable margin for underwriting expenses and profit and contingencies to the
10 insurer, and cost and compensation to the licensees for providing and servicing such
11 insurance, plus the premium taxes payable on such insurance.

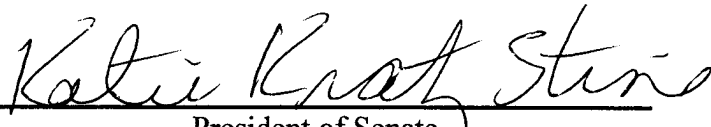
12 (3) In accepting any insurance provided for by this section as security for a loan the
13 licensee, its officers, agents, or employees may deduct the premiums or identifiable
14 charge therefor from the proceeds of the loan, which premium or identifiable charge
15 shall not exceed the rate filed with the commissioner of insurance and not
16 disapproved and remit such premiums to the insurance company writing such
17 insurance and any gain or advantage to the licensee or any employee, officer,
18 director, agent, affiliate, or associate from such insurance or its sale shall not be
19 considered as additional or further charge in connection with any loan made under
20 this subtitle. The arranging for and collecting of an identifiable charge shall not be
21 deemed the sale of insurance.

22 (4) Every insurance policy or certificate written in connection with a loan transaction
23 pursuant to subsection (2) of this section shall provide for cancellation of coverage
24 and a refund of the premium or identifiable charge unearned upon the discharge of
25 the loan obligation for which such insurance is security without prejudice to any
26 claim. Such refund shall be under a formula filed by the insurer with the
27 commissioner of insurance.

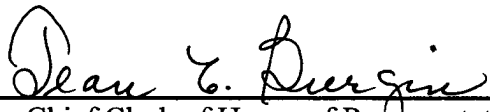
- 1 (5) Whenever insurance is written in connection with a loan transaction pursuant to this
2 section the licensee shall deliver or cause to be delivered to the borrower a policy,
3 certificate, ~~{or other }~~memorandum, or other disclosure which shall show the
4 coverages and the cost thereof, if any, to the borrower within thirty (30) days from
5 the date of the loan.
- 6 (6) All such insurance shall be written by a company authorized to conduct such
7 business in this state and the licensee shall not require the purchase of such
8 insurance from any agent or broker designated by the licensee nor shall the licensee
9 decline existing coverages which equal or exceed the standards of this section.



Speaker-House of Representatives



President of Senate

Attest: 

Chief Clerk of House of Representatives

Approved 

Governor

Date 